

**REPORT OF THE AUDIT OF THE  
ROBERTSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROBERTSON COUNTY FISCAL COURT**

**June 30, 2008**

The Auditor of Public Accounts has completed the audit of the Robertson County Fiscal Court for the fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities and each major fund of Robertson County, Kentucky.

#### **Financial Condition:**

The Fiscal Court had net assets of \$2,852,520 as of June 30, 2008. The Fiscal Court had unrestricted net assets of \$1,109,712 in its governmental activities as of June 30, 2008. The fiscal court had total debt principal as of June 30, 2008 of \$3,305,000 with \$95,000 due within the next year.

#### **Report Comments:**

- 2008-01 Cash Transfers Totaling \$19,700 Were Not Approved By The Fiscal Court
- 2008-02 Cash Transfers From Restricted Funds Were In Excess Of The Amount Approved By The Department For Local Government In The Amount Of \$41,800
- 2008-03 The Fiscal Court Should Maintain Time Records For All Employees
- 2008-04 Health Insurance Premiums Totaling \$1,566 Were Not Withheld From The Finance Officer's Gross Wages
- 2008-05 The Jailer Was Compensated As Both An Employee And An Independent Contractor
- 2008-06 Robertson County Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Department For Local Government
- 2008-07 Robertson County Fiscal Court Should Adopt A Written Investment Policy
- 2008-08 The County Treasurer Does Not Maintain Records As Required By The Department For Local Government
- 2008-09 The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Functions
- 2008-10 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary, Finance and Administration Cabinet  
Honorable Billy R. Allison, Robertson County Judge/Executive  
Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Robertson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Robertson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Robertson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Robertson County, Kentucky, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary, Finance and Administration Cabinet

Honorable Billy Allison, Robertson County Judge/Executive

Members of the Robertson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2008, on our consideration of Robertson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 Cash Transfers Totaling \$19,700 Were Not Approved By The Fiscal Court
- 2008-02 Cash Transfers From Restricted Funds Were In Excess Of The Amount Approved By The Department For Local Government In The Amount Of \$41,800
- 2008-03 The Fiscal Court Should Maintain Time Records For All Employees
- 2008-04 Health Insurance Premiums Totaling \$1,566 Were Not Withheld From The Finance Officer's Gross Wages
- 2008-05 The Jailer Was Compensated As Both An Employee And An Independent Contractor
- 2008-06 Robertson County Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Department For Local Government
- 2008-07 Robertson County Fiscal Court Should Adopt A Written Investment Policy
- 2008-08 The County Treasurer Does Not Maintain Records As Required By The Department For Local Government
- 2008-09 The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Functions
- 2008-10 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 13, 2008



## ROBERTSON COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

Billy R. Allison	County Judge/Executive
Melvin Whitaker	Magistrate
Terry Cracraft	Magistrate
David Conley	Magistrate
Larry Jones	Magistrate
Diane E. Poe	Magistrate

**Other Elected Officials:**

Jesse Melcher	County Attorney
Eddie Jacobs	Jailer
Stephanie Bogucki	County Clerk
Martha Workman	Circuit Court Clerk
Randy B. Insko	Sheriff
Karen M. Curtis	Property Valuation Administrator
John Thompson	Coroner

**Appointed Personnel:**

Jan Caldwell	County Treasurer
Laura J. Ellis	Finance Officer
David Carmack	Road Supervisor

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**ROBERTSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**ROBERTSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,985,637
Total Current Assets	<u>3,985,637</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	123,500
Construction In Progress	473,823
Buildings	550,073
Office Equipment	27,812
Vehicles	98,197
Machinery and Equipment	45,538
Infrastructure	852,940
Total Noncurrent Assets	<u>2,171,883</u>
Total Assets	<u>6,157,520</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Bonds Payable	95,000
Total Current Liabilities	<u>95,000</u>
Noncurrent Liabilities:	
Bonds Payable	3,210,000
Total Noncurrent Liabilities	<u>3,210,000</u>
Total Liabilities	<u>3,305,000</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	(1,133,117)
Restricted For:	
Capital Projects	2,875,925
Unrestricted	1,109,712
Total Net Assets	<u><u>\$ 2,852,520</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**

**ROBERTSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
General Government	\$ 772,706	\$ 6,575	\$ 154,879	\$ 295,566
Protection to Persons and Property	101,637	2,013	50,205	
General Health and Sanitation	4,859	400		
Social Services	10,130			
Recreation and Culture	14,156			
Roads	376,043	2,158	235,070	596,779
Interest on Short-term Debt	40,000			
Capital Projects	2,328			
Total Governmental Activities	<u>\$ 1,321,859</u>	<u>\$ 11,146</u>	<u>\$ 440,154</u>	<u>\$ 892,345</u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**ROBERTSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

**Net (Expenses) Revenues  
and Changes in Net Assets**

<b>Governmental Activities</b>	
\$	(315,686)
	(49,419)
	(4,459)
	(10,130)
	(14,156)
	457,964
	(40,000)
	(2,328)
	<u>21,786</u>
	58,757
	1,110
	14,448
	172,685
	78,935
	<u>59,504</u>
	385,439
	407,225
	<u>2,445,295</u>
\$	<u><u>2,852,520</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

**ROBERTSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 178,389	\$ 931,092	\$ 84	\$ 147
Due From Other Funds		41,800		
Total Assets	<u>178,389</u>	<u>972,892</u>	<u>84</u>	<u>147</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due To Other Funds	<u>41,800</u>			
Total Liabilities	<u>41,800</u>			
<b>FUND BALANCES</b>				
Unreserved:				
General Fund	136,589			
Special Revenue Funds		972,892	84	147
Capital Projects Fund				
Total Fund Balances	<u>136,589</u>	<u>972,892</u>	<u>84</u>	<u>147</u>
Total Liabilities and Fund Balances	<u>\$ 178,389</u>	<u>\$ 972,892</u>	<u>\$ 84</u>	<u>\$ 147</u>

**Reconciliation of the Balance Sheet - Governmental  
Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 3,985,637
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	5,133,265
Accumulated Depreciation	(2,961,382)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Bonded Debt	<u>(3,305,000)</u>
Net Assets of Governmental Activities	<u>\$ 2,852,520</u>

The accompanying notes are an integral part of the financial statements.

**ROBERTSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Community Center Grant Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
\$ 161,423	\$ 2,714,502	\$ 3,985,637
		41,800
<u>161,423</u>	<u>2,714,502</u>	<u>4,027,437</u>
		41,800
		<u>41,800</u>
		136,589
161,423		1,134,546
	<u>2,714,502</u>	<u>2,714,502</u>
<u>161,423</u>	<u>2,714,502</u>	<u>3,985,637</u>
<u>\$ 161,423</u>	<u>\$ 2,714,502</u>	<u>\$ 4,027,437</u>

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**ROBERTSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 245,297	\$	\$	\$
Intergovernmental	158,364	832,886	49,243	
Charges for Services	400		1,881	
Miscellaneous	63,480	3,031		
Interest	6,503	38,972		
Total Revenues	<u>474,044</u>	<u>874,889</u>	<u>51,124</u>	
<b>EXPENDITURES</b>				
General Government	339,295	18,000		
Protection to Persons and Property	39,276		46,479	
General Health and Sanitation	4,859			
Social Services	2,500			
Recreation and Culture	13,731			
Roads		484,516		
Debt Service				
Capital Projects				
Administration	133,692	144,820	13,134	
Total Expenditures	<u>533,353</u>	<u>647,336</u>	<u>59,613</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(59,309)</u>	<u>227,553</u>	<u>(8,489)</u>	
<b>Other Financing Sources (Uses)</b>				
Bond Issuance				
Discount On Bond Issuance				
Transfers from Other Funds	116,053		7,450	
Transfers to Other Funds	(7,775)	(116,053)		
Total Other Financing Sources (Uses)	<u>108,278</u>	<u>(116,053)</u>	<u>7,450</u>	
Net Change in Fund Balances	48,969	111,500	(1,039)	
Fund Balances - Beginning	87,620	861,392	1,123	147
Fund Balances - Ending	<u>\$ 136,589</u>	<u>\$ 972,892</u>	<u>\$ 84</u>	<u>\$ 147</u>

The accompanying notes are an integral part of the financial statements.



**ROBERTSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Community Center Grant Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$
295,566		245,297
		1,336,059
		2,281
		66,511
	33,461	78,936
295,566	33,461	1,729,084
		357,295
		85,755
		4,859
		2,500
325		14,056
		484,516
	1,085,940	1,085,940
134,143	229,642	363,785
	113	291,759
134,468	1,315,695	2,690,465
161,098	(1,282,234)	(961,381)
	3,305,000	3,305,000
	(65,756)	(65,756)
325		123,828
		(123,828)
325	3,239,244	3,239,244
161,423	1,957,010	2,277,863
	757,492	1,707,774
\$ 161,423	\$ 2,714,502	\$ 3,985,637

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**ROBERTSON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,277,863
<p>Amounts Reported for Governmental Activities in the Statement of Activities            Are Different Because Governmental Funds Report Capital Outlays as            Expenditures. However, in the Statement of Activities the Cost of those Assets Is            Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	577,358
Depreciation Expense	(142,996)
<p>The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current            Financial Resources to Governmental Funds, While the Repayment of Principal            on Long-term Debt Consumes the Current Financial Resources of Governmental            Funds. These Transactions, However, Have No Effect on Net Assets.</p>	
Bond Issuance	(3,305,000)
Bond Principal Payments	<u>1,000,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 407,225</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**





**ROBERTSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Agency Fund</b>	
	<b>McDowell</b>	<b>Health</b>
	<b>Senior Citizens</b>	<b>Reimbursement</b>
	<b>Trust Fund</b>	<b>Account</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 8,958	\$ 4,503
Total Assets	8,958	4,503
<b>Liabilities</b>		
Amounts Held In Custody For Others	8,958	4,503
Total Liabilities	8,958	4,503
<b>Net Assets</b>		
Total Net Assets	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

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**ROBERTSON COUNTY**  
**STATEMENT OF CHANGES IN FUND NET ASSETS -**  
**FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**



**ROBERTSON COUNTY**  
**STATEMENT OF CHANGES IN FUND NET ASSETS -**  
**FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**

	<u>Agency Fund</u>	
	<u>McDowell</u>	<u>Health</u>
	<u>Senior Citizens</u>	<u>Reimbursement</u>
	<u>Trust Fund</u>	<u>Account</u>
<b>Additions</b>		
Interest	\$ 32	\$
Contributions		16,184
Miscellaneous	1,045	
Total Additions	<u>1,077</u>	<u>16,184</u>
<b>Deletions</b>		
Administrator		1,200
Benefit Payments	5,453	
Reimbursements		10,466
Miscellaneous		15
Total Deletions	<u>5,453</u>	<u>11,681</u>
Change In Net Assets	(4,376)	4,503
<b>Net Assets Held In Trust</b>		
Total Net Assets - Beginning	<u>13,334</u>	
Total Net Assets - Ending	<u>\$ 8,958</u>	<u>\$ 4,503</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**ROBERTSON COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Robertson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Robertson County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Robertson County Public Properties Corporation**

The Robertson County Public Properties Corporation was created exclusively to issue bonds to finance construction of a new justice center in Robertson County, Kentucky. The Robertson County fiscal court is essentially the same governing board as the Robertson County Public Properties Corporation and therefore has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Robertson County Public Properties Corporation.

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Robertson County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Robertson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Robertson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major. Robertson County reports only governmental funds.



**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 31, due at face value December 31, delinquent January 1 following assessment, and subject to lien and sale on April 30 following the delinquency date.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for revenues and expenditures under the Local Government Economic Assistance Program.

Community Center Grant Fund - The purpose of this fund is to account for the receipts and disbursements of the Community Center grant.

Robertson County Public Properties Corporation Fund - This fund issued the debt for the construction of the Justice Center. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the Justice Center.

The primary government has no non-major funds.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Community Center Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Capital Projects Fund:

Robertson County Public Properties Corporation Fund - The purpose of this fund is to account for the activities of the Robertson County Public Properties Corporation. The Robertson County Public Properties Corporation issued debt to build the Justice Center. The Robertson County Public Properties Corporation has entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments and can not be used to support the government's own programs. When these assets are held under the terms of a formal trust agreement, pension trust funds, investment trust funds, private-purpose trust funds, and agency funds are used.

The primary government reports the following fiduciary funds:

McDowell Senior Citizens Trust Fund - This private-purpose trust fund was established to benefit senior citizens in Robertson County.

Health Reimbursement Account - To account for county contributions for those employees who waive health insurance coverage.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Only the current year's infrastructure was reported.

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 60
Machinery and Equipment	\$ 2,500	3 - 10
Vehicles	\$ 2,500	5
Infrastructure	\$ 20,000	10 - 50

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt, and other long-term obligations, are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balance may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organization**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Health Tax district is considered a related organization of the Robertson County Fiscal Court.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Short-term Debt**

**First Mortgage Revenue Bond Anticipation Notes, Series 2007**

On May 1, 2007, the Robertson County Public Properties Corporation issued \$1,000,000 in First Mortgage Revenue Bond Anticipation Notes, Series 2007. The proceeds from these notes were used to pay the bond anticipation notes issued in May 2006 in the amount of \$400,000 and used to pay land acquisition costs and design fees for the Robertson County Justice Center. These notes were scheduled to mature May 1, 2008, and carried an interest rate of 4.0%. Interest payments were required at November 1, 2007 and at maturity. As of June 30, 2008, the principal balance outstanding on these notes was \$0.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bond Anticipation Notes	\$ 1,000,000	\$	\$1,000,000	\$	\$
Governmental Activities					
Short-term Liabilities	\$ 1,000,000	\$ 0	\$ 1,000,000	\$ 0	\$ 0

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 106,500	\$ 17,000	\$	\$ 123,500
Construction in Progress	129,366	344,457		473,823
Total Capital Assets Not Being Depreciated	235,866	361,457		597,323
Capital Assets, Being Depreciated:				
Buildings	2,390,257			2,390,257
Office Equipment	164,488			164,488
Vehicles	316,959			316,959
Machinery and Equipment	300,423			300,423
Infrastructure	1,147,914	215,901		1,363,815
Total Capital Assets Being Depreciated	4,320,041	215,901		4,535,942
Less Accumulated Depreciation for:				
Buildings	(1,814,638)	(25,546)		(1,840,184)
Office Equipment	(132,432)	(4,244)		(136,676)
Vehicles	(184,946)	(33,816)		(218,762)
Machinery and Equipment	(239,766)	(15,119)		(254,885)
Infrastructure	(446,604)	(64,271)		(510,875)
Total Accumulated Depreciation	(2,818,386)	(142,996)		(2,961,382)
Total Capital Assets, Being Depreciated, Net	1,501,655	72,905		1,574,560
Governmental Activities Capital Assets, Net	\$ 1,737,521	\$ 434,362	\$ 0	\$ 2,171,883

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 11,956
Protection to Persons and Property	15,882
Social Services	7,630
Recreation and Culture	100
Roads, Including Depreciation of General Infrastructure Assets	107,428
Total Depreciation Expense - Governmental Activities	<u>\$ 142,996</u>

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-term Debt**

**First Mortgage Revenue Bonds, Series 2008**

On April 1, 2008, the Robertson County Public Properties Corporation issued \$3,305,000 in First Mortgage Revenue Bonds, Series 2008. The bonds were issued for the purpose of providing permanent financing for the construction of the Robertson County Justice Center and to pay the bond anticipation notes issued in May 2007. Interest on the bonds is payable semi-annually on March 1 and September 1, beginning September 1, 2008. Principal payments are payable annually commencing March 1, 2009. The fiscal court entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding as of June 30, 2008 was \$3,305,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 95,000	\$ 113,450
2010	85,000	120,914
2011	90,000	118,364
2012	95,000	115,664
2013	95,000	112,814
2014-2018	530,000	515,118
2019-2023	625,000	411,931
2024-2028	760,000	279,800
2029-2033	930,000	114,600
Totals	<u>\$ 3,305,000</u>	<u>\$ 1,902,655</u>

**Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$	\$ 3,305,000	\$	\$ 3,305,000	\$ 95,000
Governmental Activities Long-term Liabilities	\$ 0	\$ 3,305,000	\$ 0	\$ 3,305,000	\$ 95,000

**ROBERTSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Insurance**

For the fiscal year ended June 30, 2008, Robertson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Related Party Transactions**

Magistrate Terry A. Cracraft is president of DeeJay Auto Parts II, Inc., located in Mt. Olivet, Kentucky. The fiscal court occasionally purchases auto parts from them. The total spent during fiscal year 2008 was \$4,184.

**Note 9. Interfund Receivable and Payable**

The fiscal court transferred restricted money in the amount of \$41,800 from the Road Fund to the General Fund. As of June 30, 2008, the General Fund owes the Road Fund \$41,800.

**Note 10. Health Reimbursement Account**

All Robertson County employees who meet the requirements of the Personnel Policy for eligibility for health insurance as provided by the Robertson County Fiscal Court have the option to waive their right to health insurance and participate in a health reimbursement account. Beginning January 1, 2008, the fiscal court provided \$375 monthly to each employee participating in the health reimbursement account.

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**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**



**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 221,700	\$ 221,700	\$ 245,297	\$ 23,597
Intergovernmental Revenue	133,010	133,010	158,364	25,354
Charges for Services	250	250	400	150
Miscellaneous	12,200	12,200	63,480	51,280
Interest	10,000	10,000	6,503	(3,497)
Total Revenues	377,160	377,160	474,044	96,884
<b>EXPENDITURES</b>				
General Government	305,214	347,214	339,295	7,919
Protection to Persons and Property	54,535	54,810	39,276	15,534
General Health and Sanitation	4,100	4,860	4,859	1
Social Services	1,500	2,500	2,500	
Recreation and Culture	12,000	13,900	13,731	169
Administration	263,354	217,419	133,692	83,727
Total Expenditures	640,703	640,703	533,353	107,350
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(263,543)	(263,543)	(59,309)	204,234
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	116,053	116,053	157,853	41,800
Transfers to Other Funds	(27,510)	(27,510)	(96,775)	(69,265)
Total Other Financing Sources (Uses)	88,543	88,543	61,078	(27,465)
Net Changes in Fund Balance	(175,000)	(175,000)	1,769	176,769
Fund Balance - Beginning	175,000	175,000	176,620	1,620
Fund Balance - Ending	\$ 0	\$ 0	\$ 178,389	\$ 178,389

**Reconciliation of the Budgetary Comparison Schedule to  
Statement of Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 178,389
Excess Transfers From Road Fund recorded as Liability - Due to Other Funds	(41,800)
Fund Balance - Ending	\$ 136,589

**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 543,180	\$ 543,180	\$ 832,886	\$ 289,706
Miscellaneous	6,000	6,000	3,031	(2,969)
Interest	37,500	37,500	38,972	1,472
Total Revenues	586,680	586,680	874,889	288,209
<b>EXPENDITURES</b>				
General Government	18,000	18,000	18,000	
Roads	674,200	717,350	484,516	232,834
Administration	628,427	585,277	144,820	440,457
Total Expenditures	1,320,627	1,320,627	647,336	673,291
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(733,947)	(733,947)	227,553	961,500
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds			89,000	89,000
Transfers to Other Funds	(116,053)	(116,053)	(157,853)	(41,800)
Total Other Financing Sources (Uses)	(116,053)	(116,053)	(68,853)	47,200
Net Changes in Fund Balance	(850,000)	(850,000)	158,700	1,008,700
Fund Balance - Beginning	850,000	850,000	772,392	(77,608)
Fund Balance - Ending	\$ 0	\$ 0	\$ 931,092	\$ 931,092

**Reconciliation of the Budgetary Comparison Schedule to  
Statement of Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Ending	\$ 931,092
Excess Transfers to General Fund recorded as Asset - Due From Other Funds	41,800
Fund Balance - Ending	\$ 972,892

**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 49,350	\$ 49,350	\$ 49,243	\$ (107)
Charges for Services	5,000	5,000	1,881	(3,119)
Total Revenues	54,350	54,350	51,124	(3,226)
<b>EXPENDITURES</b>				
Protection to Persons and Property	54,610	58,760	46,479	12,281
Administration	26,650	22,500	13,134	9,366
Total Expenditures	81,260	81,260	59,613	21,647
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(26,910)	(26,910)	(8,489)	18,421
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	26,910	26,910	7,450	(19,460)
Total Other Financing Sources (Uses)	26,910	26,910	7,450	(19,460)
Net Changes in Fund Balances			(1,039)	(1,039)
Fund Balances - Beginning			1,123	1,123
Fund Balances - Ending	\$ 0	\$ 0	\$ 84	\$ 84

**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Total Revenues	\$	\$	\$	\$
<b>EXPENDITURES</b>				
Total Expenditures	150	150		150
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	(150)	(150)		150
Net Changes in Fund Balances	(150)	(150)		150
Fund Balances - Beginning	150	150	147	(3)
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 147</u>	<u>\$ 147</u>

**ROBERTSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>COMMUNITY CENTER GRANT FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 350,000	\$ 350,000	\$ 295,566	\$ (54,434)
Total Revenues	350,000	350,000	295,566	(54,434)
<b>EXPENDITURES</b>				
Recreation and Culture	50,000	50,000	325	49,675
Capital Projects	300,000	300,000	134,143	165,857
Total Expenditures	350,000	350,000	134,468	215,532
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			161,098	161,098
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			325	325
Total Other Financing Sources (Uses)			325	325
Net Changes in Fund Balances			161,423	161,423
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ 161,423	\$ 161,423

**ROBERTSON COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable Billy R. Allison, Robertson County Judge/Executive  
Members of the Robertson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of Robertson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 13, 2008. Robertson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Robertson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Robertson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Robertson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2008-09 and 2008-10.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Robertson County's financial statements for the year ended June 30, 2008, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, 2008-07, and 2008-08.

The Robertson County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 13, 2008

**ROBERTSON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2008**



**ROBERTSON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2008**

STATE LAWS AND REGULATIONS

2008-01    Cash Transfers Totaling \$19,700 Were Not Approved By The Fiscal Court

The fiscal court only approved cash transfers for the following months: July, August, October, and November. Furthermore, these transfers were only approved after the Finance Officer actually made the transfers. The fiscal court did not approve \$19,700 out of \$254,303 of cash transfers during the fiscal year. The Instructional Guide For County Budget Preparation and State Local Finance Officer Policy Manual states that all cash transfers require a court order and fiscal court approval. Cash transfers impact the revenues and expenditures of the county and should be reviewed and approved by the fiscal court. Therefore, we recommend the fiscal court review and approve all transfers.

*County Judge/Executive Billy R. Allison's Response: All transfers are now being approved by the court and filed in the FC Order Book. Transfers have always been approved but were not reflected in the minutes.*

2008-02    Cash Transfers From Restricted Funds Were In Excess Of The Amount Approved By The Department For Local Government In The Amount Of \$41,800

Transfers from the Road Fund to the General Fund during fiscal year ending June 30, 2008 totaled \$157,853. The Department for Local Government (DLG) approved transfers in the amount of \$116,053 as shown on the Road Fund Cost Allocation Worksheet which is part of the fiscal court's annual budget. All Road Fund monies are restricted for road expenditures, except for the amount calculated on the Road Fund Allocation Worksheet to allot administrative costs. The transfers to the General Fund were in excess of the approved amount by \$41,800. We recommend the fiscal court return \$41,800 to the Road Fund and limit transfers of restricted monies to the amount approved by DLG.

*County Judge/Executive Billy R. Allison's Response: This amount was repaid by the general fund on 8/15/08.*

2008-03    The Fiscal Court Should Maintain Time Records For All Employees

Timesheets were not maintained for the County Treasurer, Finance Officer, DES Coordinator, Dog Warden, and other salaried employees. Furthermore, of the timesheets that were maintained 2 timesheets were not signed by the employee. KRS 337.320 states every employer shall keep a record of the hours worked each day and each week by each employee. Timesheets are also necessary to document eligibility for employee benefits, such as participating in County Employee Retirement System, and receiving county benefits including county paid health insurance and receiving paid leave time. The employee and the appropriate supervisor should review and sign all timesheets to verify the time reported is accurate and legitimate expenses of the county. We recommend the county maintain time records properly for all employees.

*County Judge/Executive Billy R. Allison's Response: Timesheets are now being maintained and signed.*

**ROBERTSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2008-04    Health Insurance Premiums Totaling \$1,566 Were Not Withheld From The Finance Officer's Gross Wages

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The fiscal court provides employees single coverage health insurance and employees have the option of adding family members to the plan for an additional charge which is withheld from their gross wages. Health insurance premiums totaling \$1,566 were not withheld from the Finance Officer's gross wages for her spouse's health insurance. The Finance Officer maintains and prepares payroll for the fiscal court including paying health insurance premiums and deducting the proper amounts from each employee's gross wages. We noted the Finance Officer stopped having her spouse's health insurance premiums deducted from her gross wages after the January 4, 2008 weekly payroll where \$204 was deducted for his coverage. However, she did not remove him from the county's health insurance policy until May 2008. The insurance carrier credited the county for his coverage beginning in March 2008. The monthly premium for spousal coverage is \$885. Therefore, the county paid for health insurance coverage of the Finance Officer's spouse of \$1,566 for January and February of 2008. Since the county only provides single coverage for their employees, we recommend the county seek reimbursement of \$1,566.

*County Judge/Executive Billy R. Allison's Response: This issue has been resolved.*

2008-05    The Jailer Was Compensated As Both An Employee And An Independent Contractor

During our testing of payroll, we noted that the Jailer received \$20,847 compensation as Jailer, as well as, \$4,541 as an independent contractor providing custodial services. According to IRS Publication 15A, Circular E, the fiscal court must distinguish an individual as either an employee or an independent contractor. If the individual is distinguished as an employee, all compensation is considered wages and all earnings are subject to the applicable withholdings and matching requirements. We recommend the fiscal court cease the practice of paying individuals as both employees and independent contractors. We will refer this matter to the Internal Revenue Service, the Kentucky Department of Revenue, U.S. Department of Labor, and Kentucky Department of Labor for review.

*County Judge/Executive Billy R. Allison's Response: This issue no longer exists.*



**ROBERTSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2008-06     Robertson County Fiscal Court Should Implement Required Purchasing Procedures And Should Properly Report Encumbrances To The Department For Local Government

The fiscal court does not have purchasing procedures in place to meet the requirements of the State Local Finance Officer of the Department for Local Government (DLG). In addition, encumbrances were not reported on the quarterly financial reports submitted to DLG. The following procedures need to be implemented for all funds to meet the requirements as prescribed by the State Local Finance Officer:

- Purchases shall not be made without approval by the Judge/Executive (or designee), and/or a Department Head
- Purchase requests shall indicate the proper appropriation account number to which the claim will be posted.
- Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary appropriation transfers have been made.
- Each Department Head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the Department Head and the Judge/Executive (or designee) who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.
- Purchase orders should be matched up to invoices prior to payment.

We recommend the fiscal court implement these procedures and report encumbrances appropriately on the quarterly financial reports submitted to DLG.

*County Judge/Executive Billy R. Allison's Response: Purchase orders are now being utilized.*

2008-07     Robertson County Fiscal Court Should Adopt A Written Investment Policy

The fiscal court has not adopted a written investment policy to govern the investment of public funds. KRS 66.480(3) requires fiscal courts to have adopted, by January 1, 1995, a written investment policy. It is important to adopt a written investment policy to assure the safety and security of public funds. KRS 66.480(3) lists specific information that the written investment policy should include. We recommend the fiscal court adopt a written investment policy per KRS 66.480(3). If needed, the fiscal court should request the County Attorney assist in developing a written investment policy.

*County Judge/Executive Billy R. Allison's Response: None.*

**ROBERTSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2008-08    The County Treasurer Does Not Maintain Records As Required By The Department For Local Government

Based on the County Budget Preparation and State Local Finance Officer Policy Manual prepared by the Department for Local Government, the County Treasurer must keep records and make reports as set forth in KRS 68.210, 68.020, 68.300, 68.360, and 66.480 and must also keep the following records as required by the Uniform System of Accounts for Kentucky Counties.

1. Cash Receipts Journal and Cash Receipts Ledger
2. Check Distribution Ledger
3. Appropriation Ledger
4. General Ledger
5. Investment Journals
6. Subsidiary Ledgers and Journals
7. Account for each fund individually
8. Prepare financial reports for the fiscal court and jailer each month, pursuant to KRS 68.360 and KRS 41.235
9. Prepare a quarterly financial statement for the State Local Finance Officer within 30 days of the end of the quarter
10. Prepare an annual settlement for the fiscal court within 60 days of the close of the fiscal year pursuant to KRS 68.020(5)
11. Prepare and annual financial statement, pursuant KRS 424.220
12. Countersign checks only if the following conditions exist:
  - a. Claim reviewed by the fiscal court
  - b. Sufficient fund balance and adequate cash in the bank to cover the check
  - c. Adequate free balance in a properly budgeted appropriation account to cover check
13. The county treasurer is the sole officer bonded to receive and disburse county funds and could be liable on the county treasurer's bond if correct records are not maintained and the procedures are not followed as required by law.

The Finance Officer currently completes the above noted ledgers, journals, and reports. The Treasurer does receive the bank statement and reconciles the accounts. However, she does not maintain any of these ledgers herself. Furthermore, based on inquiry of the Treasurer, she does not review invoices or determine if the fiscal court has approved the claim before countersigning checks, as required. The Treasurer should maintain the above-mentioned items and reconcile them monthly to the Finance Officer's records to prevent and detect errors and improve the county's internal controls procedures. Furthermore, the Treasurer should not countersign any checks without implementing the above-mentioned steps as noted in 12 as well as reviewing the invoices to ensure all invoices are original and not copies, agreed to the amount paid, are cancelled, are appropriate, and are recorded properly. We recommend the Treasurer comply with the County Budget Preparation and State Local Finance Officer Policy Manual and the Uniform System of Accounts for Kentucky Counties. Furthermore, we advise the county seek guidance from DLG in this matter.

*County Judge/Executive Billy R. Allison's Response:* None.

**ROBERTSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

2008-09    The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Functions

A lack of segregation of duties exists over accounting functions. One employee collects receipts, prepares deposits, posts to receipts ledgers, prepares monthly reports, prepares checks, and posts to the appropriation ledger. Segregation of duties is needed to protect employees in the normal course of performing their duties and can help prevent the misappropriation of assets and/or inaccurate financial reporting.

Budget limitations place restrictions on the number of employees the fiscal court can hire. When faced with limited staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Because one employee handled all accounting functions, the following occurred:

- Cash transfers were made prior to fiscal court approval and \$19,700 were made without fiscal court approval.
- Cash transfers of \$41,800 were transferred from the Road Fund in excess of the allowable amount determined by the Department for Local Government.

To adequately protect against the misappropriation of assets and/or inaccurate financial reporting, the fiscal court should separate the duties involving the collection, deposit, disbursement, and reconciliation of cash. If, due to limited staff size, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions.

*County Judge/Executive Billy R. Allison's Response: In process of trying to hire additional staff but have to consider budget restraints.*

2008-10    The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function

A lack of adequate segregation of duties exists over the payroll function. The Finance Officer enters the information necessary to process the payroll into the computer system, prepares the documentation, including the checks, to transfer monies from the county's funds into the payroll revolving account, posts the payroll expenditures to the appropriations ledger, and reconciles the payroll bank account. The Treasurer and Judge/Executive do countersign all checks, however, they do not review any supporting documentation, such as payroll ledgers and other payroll reports.

Segregation of duties over payroll functions, such as the ones mentioned above, or implementation of compensating controls when limited by staff size is essential for providing protection from the misappropriation of assets and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

**ROBERTSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES (Continued)

2008-10    The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function  
(Continued)

Because one employee handled all payroll functions and oversight was not provided, the following occurred:

- Health insurance premiums totaling \$1,566 were not withheld from the Finance Officer's gross wages.
- Timesheets were not maintained for all employees.
- Supervisors did not sign all timesheets.
- The Jailer was compensated as both an employee and an independent contractor.
- Personnel files were not maintained.
- The payroll account had an excess balance of \$3,316.

To adequately protect against the misappropriation of assets and/or inaccurate financial reporting, we recommend the fiscal court separate the duties of entering the information necessary to process the payroll into the computer system, preparing the documentation, including the checks, to transfer monies from the county's funds into the payroll revolving account, posting the payroll expenditures to the appropriations ledger, and reconciling the payroll bank account. If these duties cannot be segregated due to limited staff or a limited budget, then strong oversight should be provided to the employee responsible for these duties.

*County Judge/Executive Billy R. Allison's Response: The health insurance premium issue has been resolved. The other issues have also been dealt with.*

